



## **State Investment Commission**

### **Monthly Meeting Minutes**

**Wednesday, November 23, 2011**

**9:00 a.m.**

**Room 135, State House**

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:00 a.m., Wednesday, November 23, 2011 in Room 135, State House.

## **I. Roll Call of Members**

The following members were present: Ms. Rosemary Booth Gallogly, Mr. J. Michael Costello, Mr. Thomas Fay, Mr. Robert Giudici, Ms. Paula McNamara, Ms. Marcia Reback, Mr. Andrew Reilly and General Treasurer Gina Raimondo.

Also in attendance: Ms. Sally Dowling, of Adler Pollock, & Sheehan, and Mr. Joe Rodio Jr., of Rodio & Ursillo, Legal Counsel to the Commission; Mr. John Burns and Mr. Alan Emkin, of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Mr. Thomas Lynch and Daniel Stern, of Cliffwater, Alternative Investment Consultant to the Commission; Ms. Lisa Tyrell, of State Street Corporation; and members of the Treasurer's staff.

Treasurer Raimondo called the meeting to order at 9:00 a.m.

## **II. Approval of Minutes**

On a motion by Mr. Reback and seconded by Mr. Fay, it was unanimously

**VOTED: To approve the draft of the minutes of the October 26, 2011 meeting of the State Investment Commission.**

## **III. Cliffwater Presentation**

Mr. Lynch recommended five managers and presented operations, investment and performance due diligence of each for the managers. He explained two of the managers fall in the global equity category: Indus Asia Pacific and Third Point Partners. Graham Global, Blue Crest Capital and Wexford Spectrum are considered real return investments. Mr. Stern provided greater detail on each of the funds and answered any questions or concerns from board members.

Mr. Lynch reviewed the Cliffwater recommendation for dollar allocation and share classes of each.

Mr. Fay asked about the benchmarks and Mr. Lynch explained he is still finalizing performance measures with staff. For fixed income he recommends using the existing benchmark the Barclays Aggregate. He recommends the HFRI series for global equities and real return.

On a motion by Mr. Fay and seconded by Mr. Costello, it was unanimously  
**VOTED: to approve all funds on page two of the presentation, subject to negotiation and finalization of documentation after legal counsel review and after further diligence on asset classes.**

## **-Ocean State Investment Pool-**

### **IV. PFM Presentation**

David Sallack, Marty Margolis and William Fazioli from PFM Asset Management, LLC entered the room to present.

Mr. Sallack introduced PFM and explained their core business including the Local Government Investment Pool (LGIP). He explained PFM manages 17 funds around the country and have been in the space for 30 years. These plans have \$15.3 Billion and 4,500 local government units in them. He went on to explain what PFM thinks will make the Ocean State Investment Pool (OSIP) successful.

Mr. Margolis explained PFM's philosophy on LGIP type investments and stated above all else they are focused on risk management. They have 14 portfolio managers and traders with vast experience and institutional knowledge. He reviewed their credit process and asset allocation.

Mr. Fazioli discussed the marketing of the fund and their relationship management strategy.

Ms. Booth Gallogly took the opportunity to ask PFM about LGIP best practices.

Mr. Fay asked if they ever owned any of the investment vehicles which were problematic during the money market crisis of 2008 and Mr. Sallack explained they did, but sold most before it became an issue in 2008.

### **V. Fidelity Presentation**

PFM left the room and Joyce Marsilia , Michael Morin and Margie Vose from Fidelity Investments entered.

Mr. Morin discussed Fidelity's approach to managing money and stressed the importance of capital preservation, daily liquidity and competitive returns. He explained their conservative investment strategy is based on credit research and quantitative analytics and how they use stress tests to anticipate the worst case scenario. Fidelity has over 150 investment professionals in their fixed income team.

Ms. Marsilla began reviewing Fidelity's strategic business plan for how to start OSIP and noted Fidelity has 17 people already in Rhode Island focused on getting OSIP launched.

The Fidelity team answered questions and then exited the room.

Mr. Vincent Izzo and Mr. Andrew Raucci, both Treasury staff, reviewed the general RFP process and the scoring criterion. After extensive due diligence on both finalists the RFP committee recommended Fidelity to the board.

On a motion by Ms. Booth Gallogly and seconded by Mr. Giudici, it was unanimously

**VOTED: to award the mandate to Fidelity subject to finalization of documentation after legal counsel review. Ms. McNamara abstained.**

### **VI. Custodian Contract Extension**

Mr. Mark Dingley, general counsel to the Treasurer, explained State Street's contract expires December 31, 2011. Treasury anticipates issuing an RFP for custodial services in the next six months, but is requesting a six month extension in the meantime. Mr. Dingley explained there will be no changes to the fees.

On a motion by Ms. Reback and seconded by Mr. Reilly, it was unanimously  
**VOTED: to extend State Street's contract by six months.**

## **VI. Defined Contribution Plan**

Treasurer Raimondo explained the Rhode Island Retirement Security Act gives the SIC board the mandate to establish a defined contribution program for the state. The staff will begin putting together an RFP with the guidance of the board. The goals for the vendor include best investment products, transparency, capital preservation, low fees and communication and education with employees. The Treasurer requested volunteers for a subcommittee.

## **VIII. Legal Counsel Report**

Ms. Dowling informed the board the hedge fund paperwork is complete.

## **IX. Chief Investment Officer Report**

Mr. Goodreau gave a brief update on the portfolio which is up about 6% in October making up for some damage in the third quarter.

## **X. Treasurer's Report**

Treasurer Raimondo thanked the board for meeting, especially because of the holiday.

## **XI. New Business**

*None this month*

## **XII. Adjournment**

There being no other business to come before the Board, on a motion by Ms. Reback and seconded by Mr. Reilly the meeting adjourned at 10:56 a.m.

Respectfully submitted,

**Gina M. Raimondo**  
General Treasurer